

DRAFT

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA
MARCH 21, 2006
MINUTES**

MEMBERS PRESENT:

Ned Sickle, Chairman
John Holdsworth, Vice-Chairman
Jerry Gleason, Commissioner
Sally Shaffer, Commissioner
Gordon Zuckerman, Commissioner

ABSENT: Margaret Dunn, Commissioner
Kieran MacDonald, Commissioner

STAFF: Kathy O'Connor, Tourism Development Manager
Kathy Montalvo, Economic Vitality Department
Lee Guillory, Finance Manager
Craig Clifford, Chief Financial Officer
Bob Cafarella, Director of Preservation

OTHERS PRESENT FOR ALL OR PART OF THE MEETING:

Councilman Wayne Ecton
Brent DeRaad
Deanne Boynton
Tom Silverman
Bruce Hernandez
Phil Weddle
Carla

1. CALL TO ORDER

Chairman Sickle called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m.

2. ROLL CALL

A formal roll call confirmed members present as stated above.

3. APPROVAL OF FEBRUARY 21, 2006 MINUTES

Vice-Chairman Holdsworth requested an amendment to the minutes, noting two instances where he is mistakenly identified as Chairman.

COMMISSIONER SHAFFER MOVED TO APPROVE THE MEETING MINUTES AS AMENDED. SECONDED BY COMMISSIONER GLEASON, THE MOTION CARRIED BY UNANIMOUS VOTE OF FIVE (5) TO ZERO (0).

4. BED TAX PRO FORMA

Directing attention to this month's pro forma, Ms. Kathy O'Connor, Tourism Development Manager noted that the changes reflected in the current pro forma include the addition of 100% of the amount of the bed tax, which reflects 20% of those funds allocated to the General Fund and 80% allocated to tourism development. Per Commission recommendation, an additional \$50,000 has been allocated to event development and retention for the FY06/07 budget.

The pro forma reflects an estimated surplus of \$282,000 going into FY 06/07 from the current year. The amount is likely to change based upon receipts and some un-materialized expenditures.

Ms. O'Connor invited Lee Guillory and Craig Clifford of Financial Services to address capital project debt service issues. Mr. Clifford explained that one of staff's budget process goals is to build a sustainable balanced plan. Pursuant to law, an annualized budget must be presented to City Council for adoption; however, a five-year balanced plan is also prepared. One of the purposes of sharing proformas with the Commission is to provide an overview of long-term potential impacts of decisions. He recalled that the Commission had agreed and recommended some allocation of revenue streams towards the WestWorld exhibit hall and the Loloma Museum to City Council in the prior year. Both of those projects are stalled and there are other capital projects with current needs.

Mr. Clifford reported that a great deal of money has been spent at WestWorld, including land purchases for parking for existing events and a major investment in improvements to the facility for events. The total project budget is \$100,000,000; \$90,000,000 has been spent in recent months for improvements and the debt remains to be paid on a large portion of that amount.

Referring to the "what-if scenario" pro forma distributed by Lee Guillory, Mr. Clifford explained that the proposed pro forma reflects the current allocations for WestWorld and Loloma, an additional contribution to WestWorld to help offset the tremendous costs of improvements, and a comparable line for bed tax contributions to the proposed Desert Discovery Center. He further explained that line items (highlighted in yellow on the pro forma) for each of these events in the amount of \$300,000 represents the ability to finance approximately \$3.75 million of debt service. He noted that the increased amounts appear to be easily sustainable. Calling attention to the bottom yellow line, which represents the surplus, he further explained that the amount remains after the budget is deducted; includes budget increases for marketing programs, and the allocation of the catastrophic reserve. He elaborated that the bottom line continues to grow and is still a growing surplus over all of the commitments.

Mr. Clifford requested the Commission's consideration of the proposed suggestions.

Ms. O'Connor noted that all of the proposed projects include tourism components and the issue is whether the Commission believes each of the projects are worth more or less than the proposed tourism contributions. If the Commission is agreeable, Ms. O'Connor committed staff to put together some options and scenarios for the Commission's consideration in April.

Vice-Chairman Holdsworth expressed support for long-term capital projects that can help develop tourism and do well for the community as well. He is not, however, in favor of contributing equal amounts to each of the projects and would like to review the percentage contribution against the overall budgets for each of the projects.

In response to inquiry by Vice-Chairman Holdsworth regarding the suggested option of selling some of the land purchased near WestWorld to recoup some of the initial investment, Mr. Clifford noted that the decision is still up for approval by City Council and a decision is expected shortly. He explained that the first purchase of the 80 acres was done as a strategy to ensure that the City obtained the land that was necessary. Mr. Clifford stated that if the land were sold at the purchase price, a debt service of \$35 million for the land and improvements would still remain. The suggestions would only cover approximately \$7.5 million of the remaining \$35 million in debt service.

Referring to the Loloma project, Chairman Sickie asked what kind of revenue is generated that pertains to this debt service obligation as well as the overall financial picture. Mr. Clifford explained that the project is still on the books as a proposed project for \$7.5 million. The discussions a year ago with the Buffalo Bill group identified estimates of \$10 to \$15 million for completion of the project. Mr. Clifford opined that the issue is dependant upon some synergy occurring in that project and a final analysis of what the costs may be if the project moves forward.

In closing, Mr. Clifford noted a 10% increase in February 2006 bed tax receipts. Year-to-date bed taxes have increased 11%. The proposed FY05/06 estimate is calculated at a 9% increase over the FY 05/06 adopted bed-tax budget; a conservative estimate based on year-to-date actual percentages.

5. MONTHLY UPDATES

- **Bed-tax Staff Report (Attachment 3)**

Ms. O'Connor reported that the fiscal year-to-date figures are 16% ahead in bed tax revenue over last year. The hotel/motel tax, retail sales and restaurants continue to be strong. Scottsdale is currently seeing an increase in visitors and an increase in the dollars being spent by those visitors.

- **Smith Travel Research Lodging Report (Attachment 4)**

The staff report reflects increased activity in current year-to-date totals at 75.5% for the month of January, which is a 3.1% increase over last January. Average rate is showing a 4.5% increase over January 2005. Rev par is up 16%.

- **Projects Status**

Ms. O'Connor reported that the job description has been finalized for the Tourism Development Coordinator position. Human Resource staff hope to post the job description next week.

Ms. O'Connor opined that the February 28th work-study session with Council went quite well. She thanked Chairman Sickie, Vice-Chairman Holdsworth and Commissioner Dunn for their helpful attendance, as well as Rachel Sacco and Brent DeRaad's attendance on behalf of the CVB. Ms. Sacco provided the Council with an update on CVB activities. The consultants working on the five-year strategic plan also presented a very concise overview of the strategic planning to date.

City Council approved the three-year agreement to provide municipal services for the Rock 'n' Roll Marathon. Noting that the particulars of this partnership identify that the CVB will manage the contract and maximize the promotional aspects; the City will supply municipal service, and matching event-advertising funding.

Ms. O'Connor added that Council's approval is encouraging as it sets a precedent in terms of a partnership for multi-year agreements.

The Fiesta Bowl conversations between City staff and CVB staff continue.

Ms. O'Connor reminded Commissioners of the scheduled presentation by the consultants on the feasibility study of the Downtown Loloma Western Museum. The presentation is scheduled for 8 a.m. on March 28th at the Center for the Arts.

In response to inquiry by Chairman Sickie regarding the work-study session, Councilman Ecton reported noting a very positive response from Councilmembers and suggested that the work-study session with Council occur on an annual basis. He elaborated that an additional dimension of the event is the fact that the session was televised and opined that the television coverage provides a better understanding to the public viewers of what tourism contributes to the community.

6. FIVE-YEAR TOURISM DEVELOPMENT AND MARKETING STRATEGIC PLAN EXECUTIVE SUMMARY FINAL DRAFT

Ms. O'Connor addressed the final draft of the executive summary, noting that both City and CVB staff met extensively with the consultants prior to the City Council presentation and subsequent to the meeting. The executive summary of that document is intended to give the reader an overview of the strategy; keeping in mind that the approach is very strategic and some very specific tactics are outlined in the summary. The summary is in theory a five-year time frame; perhaps even longer. The approach included an evaluation of product development in addition to marketing.

Upon acceptance of the final document, the next steps will be for City staff, CVB staff, representatives from the Oversight Committee and the CVB Board, to review the recommendations, and work with staff to develop a timeline, plan of work and assignment of responsibilities.

Chairman Sickie asked what the project is going to look like organizationally in terms of sorting through the report and outlining the subsequent steps. Ms. O'Connor explained that discussions with Ms. Sacco and Mr. DeRaad are suggestive of an interdenominational group that would devise proposed timelines, responsibilities; perhaps a task force or committee that would be charged with the responsibility of outlining the subsequent steps to be taken on each of the topics.

Mr. DeRaad concurred with Ms. O'Connor, elaborating that the CVB will follow Ms. O'Connor's lead in determining the best way to proceed, but agreed with the concept of devising a task force type group to be responsible for identifying the priorities and carrying them out.

Addressing the executive summary document, Mr. DeRaad cited identification of outstanding opportunities to expand on specific concepts such as design and product development.

Ms. O'Connor noted that budget is a consideration in the process, which will be somewhat dependant on the prioritization and time frames established.

Chairman Sickie requested that the Commission be provided a status report on a semi-monthly basis and have open discussions about the proposed recommendations. He also noted that Commissioners stand ready to help.

Vice-Chairman Holdsworth opined that the program is very ambitious and concurred with Chairman Sickie's thoughts of having a steering group that will make this plan a reality. He reiterated his continuing concern regarding the importance of choosing priorities in the initial stages of implementation that will benefit the community at large.

7. 2005 VISITOR INQUIRY STUDY

Ms. O'Connor recalled that this is a project that originally initiated as a result of the 1999 Tourism Development audit by the City, with a recommendation that there be a more quantifiable measurement of the CVB's activities, along with the opportunity and ability to obtain feedback from Scottsdale visitors.

Bruce Hernandez, Senior Vice-President of Behavior Research Corporation, has performed this work for the City over the past eight years. Mr. Hernandez was kind enough to attend the meeting to provide the Commission with information relative to the current survey and data, as well as an idea of the important measurements that should be obtained going forward.

Mr. Hernandez presented highlights of the 2005 Visitor Inquiry Study results, including the observation that nearly half of the visitors that contact the CVB actually visit the City of Scottsdale. The City is attracting a very desirable group of visitors, with an average age of 50 and median incomes in the mid-eighties. Visitors are spending an average of \$380 per day and staying an average of five days. Most inquirers come to Scottsdale for leisure purposes. Over 90% of the noted visitors are giving Scottsdale a positive rating as a leisure destination; 60% of visitors rate Scottsdale as an excellent leisure destination. The conversion rate is approximately 70%.

Ms. O'Connor reported the addition of a question to the survey this year, asking visitors to identify additional activity interests. Ranked of highest importance: more day trips, more outdoor desert activities, more special events and more dining. The next level of importance identified the following: more Native American arts and culture, more shopping and more western culture and attractions. Ms. O'Connor noted that the results of the study reinforce some of the recommendations that have come forth in the five-year strategic plan. The study also revealed an increase in the number of families with children traveling to Scottsdale.

Ms. O'Connor pointed out that some of this data is used in the City's visitor statistic reports. The report is also useful to the CVB in terms of the delivery and usage of marketing materials.

In response to a request from Ms. O'Connor with regard to issues going forward, Mr. Hernandez explained that for the past eight years the study has been conducted by contacting people who either phoned the CVB or requested information via the website. He opined that consideration should now be given to the impact of the Internet and the possibility of completing a portion of the survey via Internet. He cautioned, however, that when changes to the survey methodology are made, great care must be exercised.

Chairman Sickie noted that the activities analysis is very interesting, specifically noting the trends presenting for multiple years and the reflection that golf and nightlife are less popular, while visitors are seeking daytrip opportunities and desert activities. He asked if there is enough information at this point to shift some of the marketing and advertising away from the less favorable activities and toward more of the things that reflect the noted interests. Mr. Hernandez affirmed that the timing is right to make such a shift.

Discussion ensued regarding the importance of refraining from underestimating golf's popularity as a result of the study. Ms. O'Connor noted that many of the people coming to Scottsdale for golf or golfing events could be repeat visitors that may not have a need to contact the CVB.

Commissioner Zuckerman acknowledged that the study represents a fairly narrow population of people who strictly contact the CVB. He noted a lack of knowledge regarding the characteristics that are shared in common between these visitors and inquired regarding the status of sharing of customer databases within the hospitality industry. Mr. DeRaad reported that the analysis from the annual visitor industry customer study (VICA study) will be presented at the next meeting. He explained that the visitor records are obtained from several high-end resort properties, which are then compared with the numbers obtained from the Behavior Research Center study, resulting in a good profile of the actual visitors versus those who inquire to the CVB. Vice-Chairman Holdsworth asked if part of the study is looking at the ratio of time from booking to visiting. Ms. O'Connor confirmed that the information is included in the study and noted that the trend has not changed dramatically or significantly in this data. Mr. DeRaad cited that the VICA results reflect a time frame of 33.5 days from look-to-book.

Vice-Chairman Holdsworth asked if the CVB is able to respond to short-term visitors. Based on the website usage, Mr. DeRaad opined that the majority of people are going to the website to obtain the information they need about Scottsdale and activities. He acknowledged a period of approximately three weeks in order to get the requested

information out to people and opined that the period of time is too long to be able to impact visitors on a short-term basis.

Mr. DeRaad reported attempts to augment the web to the point where the website can become a sole information source for the short-term visitor. He acknowledged that the mechanism is in place, but opined that more can be done with the technology to better appeal to people inquiring one to two weeks prior to arrival.

8. ATTRACTION INFRASTRUCTURE EVALUATION PROCESS

Ms. O'Connor introduced the topic of visitor related capital projects, noting a summarized version of the current process by which the Commission has in the past evaluated multiple potential capital projects for tourism value. Ms. O'Connor requested that Commissioners revisit the process and requested feedback, questions or comments relating to the existing criteria.

Ms. O'Connor explained that the attraction infrastructure evaluation process was designed to be in concert with the City's overall goals. Reviewing the memo included in Commissioner packets, Ms. O'Connor recalled the specific criteria comprising the initial screen used to evaluate all projects and the rationale for the process used in the past.

Ms. O'Connor opined that the established process provides a fairly solid foundation against which to measure attractions, but suggested that there may be some adjustments that need to be made to the process as a result of the five-year strategic plan or an updating of current priorities.

Ms. O'Connor suggested presenting a matrix including all currently proposed projects to Commissioners for discussion at the April meeting.

Vice-Chairman Holdsworth recommended that the Commission be mindful of the opportunities to attract international visitors.

9. DESERT DISCOVERY CENTER FEASIBILITY REPORT UPDATE

Ms. O'Connor introduced Bob Cafarella, Preservation Director; Phil Weddle, Architectural Consultant; Tom Silverman, Chairman of the Desert Discovery Planning Committee; and Carla, Executive Director of the McDowell Sonoran Conservancy, noting that all were in attendance to present an update regarding the current status of the feasibility study update.

Ms. O'Connor explained that the initial concept of the Desert Discovery Center (DDC) has now been refined to refocus the Desert Discovery Center to a more experiential desert opportunity, with the addition of a concierge element that would offer various types of programs to experience the desert. The physical plan would include a theatre and an ability to host large groups. The budget and staffing model have yet to be finalized.

Mr. Silverman mentioned the recent articles published regarding the Center and noted potential individual donors have already made inquiries with regard to contributing to the Center. The unique project is considered a joint venture between the private and public sector.

Mr. Weddle explained that the project is located on Thompson Peak Parkway, halfway between Bell Road and Union Hills; situated approximately 800 feet into the Preserve. Highlights of the presentation include various conceptual plans and elevations, a vicinity map, a brief overview of the parking area, trail access, the scenic drive, equestrian staging area, exhibition area, amphitheatre and the proposed multi-use space.

In response to inquiry by Ms. O'Connor regarding the distinction between the Gateway and the Desert Discovery Center, Mr. Weddle explained that the Gateway is the Preserve public access area that is being built as a separate capital project. The DDC and the Gateway are intended to share a beneficial relationship with common parking areas and common infrastructure. Mr. Cafarella stated that the Gateway is public and the DDC is a private venue.

Councilman Ecton has received feedback questioning whether the Center is grand enough. He asked if the design and layout would permit expansion. Mr. Weddle affirmed that there is opportunity for expansion, elaborating that an important part of the next phase of the project will be identifying what levels of expansion are envisioned, in order to allow for that flexibility and make provisions for those types of expansions in the design. Discussion regarding expansion options ensued.

Carla noted that the project concept is to allow people to experience the Preserve, but also to have a project that is exciting enough that people want to come and changeable enough to encourage repeat visitors. With regard to the private donor opportunities required to fund the project, Carla referenced several other upcoming projects on the horizon in the Valley and stressed the importance of establishing a timeline and moving the project forward in order to avoid competition with other upcoming projects.

Councilman Ecton and Mr. Weddle concurred with points stressed by Carla.

Addressing the project funds available from the private sector and efforts to get the western museum project off the ground, Vice-Chairman Holdsworth suggested the possibility of joining some of the thoughts of western heritage with desert discovery. Carla cited that part of the issue relates to the footprint on the ground with regard to increasing the size of the building. Providing a brief overview of public comments, she identified that the desire is to limit the size of the parking lot and facility in order to maintain open land. Carla opined, however, that she could see a real opportunity for one of the traveling exhibits to tie-in to the western art museum. Mr. Silverman opined that having a western museum exhibit at the DDC would create interest in visiting the museum.

Chairman Sickle expressed support for the project and acknowledged the positive aspect of the project also meeting the expressed desires of visitors to Scottsdale. Noting the \$3.5 million allocation previously addressed, Chairman Sickle wondered whether it would be possible to raise enough money from private-funding sources to reduce the contribution from the tourism development budget.

Mr. Silverman opined that half of the funds for the project can be raised in the private sector for this project. Carla explained the desire to have an operating endowment as part of the capital fund-raising campaign and that most of the donors want to see the

City step up so that this project is a partnership in the construction costs, as well as an annual O & M from the City.

10. SCOTTSDALE CVB MID-YEAR PERFORMANCE REPORT

Ms. O'Connor noted that all of the categories have met or exceeded a theoretical 50% target, with the exception of the projects that are still to be completed. The CVB is performing at or above the expected levels. Ms. O'Connor requested that the Commission review what is being measured according to the current contractual agreement, as well as other potential performance measures next year.

Mr. DeRaad noted the difficulty in coming up with performance measures that measure the effectiveness of the CVB's efforts to bring people to Scottsdale. He acknowledged that the CVB is very open to taking a look at different measurements.

Ms. O'Connor suggested that one of the questions to consider going forward is what influenced the visitor's buying decision; an example is events: Was that the primary reason for your visit, or was it just something to do while you were here? Ms. O'Connor elaborated that a key part of becoming more product focused is measuring the marketing activities in terms of expanding the exposure to new and improved products.

Councilman Ecton noted that City Council is currently more focused on performance measures and zeroing in on the performance measures of the Cultural Council, CVB and other organizations. He stressed the importance of clearly laying out the performance measures when completing the annual review.

Vice-Chairman Holdsworth expressed a desire to hear what the CVB thinks about performance measures and any recommendations the CVB may have that more appropriately reflect performance or success. Ms. O'Connor noted that it is very difficult to determine the CVB's influence with regard to the indicators and suggested considering a combination of activities, indicators and true performance measures that are quantifiable. Vice-Chairman Holdsworth concurred that several of those factors should be included in a measurement of performance.

Chairman Sickie concurred, and elaborated that at the work-study session, Mayor Manross asked about the extent to which the activities engaged in are moving the needle and causing people to come to this destination relative to others.

11. SCOTTSDALE CVB MONTHLY UPDATE

Referring attention to Attachment No. 9, Mr. DeRaad reported that the performance measures appear to be on track; the CVB anticipates being able to meet and/or exceed each of those measurements.

The Rock 'n' Roll Marathon agreement has been approved and is moving forward.

The City has taken the lead with regard to the Fiesta Bowl agreement, in terms of putting together a multiple-year agreement. The Fiesta Bowl will stage three games over a period of approximately two and a-half weeks in 2007, including the Insight Bowl, Fiesta Bowl and a national championship game one week later. Scottsdale hotel and practice facilities for the teams, alumni groups and university bands are being considered.

The CVB's involvement with the Super Bowl host committee is trying to ensure that the 5000 rooms that are in the Super Bowl block are utilized by high visibility, high profile groups. Mr. DeRaad reported working hard to obtain a commitment from Sports Illustrated to have their annual Super Bowl party or parties within Downtown Scottsdale. Additionally, the CVB is taking a look at utilizing different golf courses for some of their corporate customers.

Native Trails' attendance continues to increase.

The CVB is working on the 2006/2007 Destination Market Guide, budget, program of work and receiving media proposals soliciting advertising in their publications and networks.

The CVB will meet with members of the Sedona Chamber of Commerce next week to discuss a proposed alliance with the City of Sedona including packaged formal Scottsdale/Sedona itineraries.

Mr. DeRaad extended thanks to Councilman Ecton and TDC Commissioners that attended the work-study session with City Council, and congratulated Councilman Ecton on his re-election.

Chairman Sickie recalled previous discussions regarding preparations for the 2007 Fiesta Bowl activities that included earmarking some funds and using funds to upgrade the facilities in order to have an extended relationship with Fiesta Bowl. He requested an update on activities related to that topic. Mr. DeRaad acknowledged discussions with the Fiesta Bowl regarding the possibility of constructing a CAP basin locker room facility. However, teams did not want to share practice facilities. Mr. DeRaad reported that the final deal may include some additional funds to help the Fiesta Bowl with upgrading preexisting practice facilities.

12. DESTINATION MARKETING PROGRAM REQUEST FOR PROPOSAL

Ms. O'Connor explained that the document summarizes the information presented to the Commission last month and the scope of work proposal from the CVB. The points contained in that information have been incorporated into a request for the CVB to return to the Commission in April with a formal presentation.

COMMISSIONER HOLDSWORTH MOVED THAT MS. O'CONNOR'S MEMO OF MARCH 21ST TO THE PRESIDENT OF THE CVB BE FORMALLY ADOPTED AS A REQUEST FOR PROPOSAL AS STATED, FOR DESTINATION MARKETING. SECONDED BY COMMISSION SCHAFER, THE MOTION CARRIED BY UNANIMOUS VOTE OF FIVE (5) TO ZERO (0).

13. ITEMS FROM THE FLOOR

Reflecting on today's discussion, Councilman Ecton echoed Mr. Clifford's advice that the TDC and City Council focus on what is really important: creating new attractions and sustaining the current attractions. He opined that those issues are significant, and cautioned that the Commission balance those needs with the equally important need to

provide funds for the CVB to support new technology and staff, in order to implement many of the responsibilities defined by the five-year strategic plan.

Addressing visitor requests for more dining and shopping, Councilman Ecton suggested that perhaps not enough information is provided to visitors about the current significant shopping and dining opportunities in Scottsdale.

Councilman Ecton noted that a very important election will occur in May with regard to raising the spending limits of the City. A newspaper article reported that the majority of citizens are against raising the spending limit. Councilman Ecton opined that the reasons for opposition relate to education and that raising spending limits does not mean raising taxes; the City has the money, but if the spending limits are not raised, the City cannot spend the money. He encouraged Commissioners to discuss the importance of this issue with citizens.

14. **PUBLIC COMMENT**

None.

15. **ADJOURNMENT**

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 9:55 a.m.

Respectfully submitted,
A/V Tronics, Inc.